

RBAP/RBRDFI



MICRO - ENTERPRISE ACCESS TO BANKING SERVICES IN MINDANAO

**MINDANAO RURAL BANKS:
FUNDING SOURCES
AND
CREDIT PROGRAMS FOR
MICROENTERPRISES**

By:

MELIZA H. AGABIN

and

ARAH D. LIMPAO-OSOP

for

Chemonics International Inc.

Davao City, Mindanao, Philippines

December 1998

Under Contract No. 492-C-00-98-00008-00

United States Agency for International Development

Office of Economic Development

Manila, Philippines

MINDANAO RURAL BANKS: FUNDING SOURCES AND CREDIT PROGRAMS FOR MICROENTERPRISES

CONTENTS

Abbreviations	i
Executive Summary	ii
Introduction	1
I. Funds Sourcing	1
Deposits	2
Borrowings	4
II. Programs for Microenterprise Finance	4
People's Credit & Finance Corporation	5
Characteristics of Credit Programs	5
Status of the Lending Programs	6
Concluding Remarks	7
List of Tables	
Table 1: Sources of Loanable Funds, 1997	2
Table 2: Structure of Deposits, 1997	3
Table 3: Matrix of Information on Selected Credit Programs for the Microenterprise Sector	8
Table 4: Loan Terms & Conditions	12
Annexes: Description of Funding Sources	
PCFC: ADB-IFAD RMFP	14
PCFC: HIRAM	17
DTI-BSMBD: TST/NGO-MCP	20
NLSF	24
LBP: RPCFI	27
QUEDANCOR: FARE	30
UCPB-CIIF: EDCP (RFI-MCP)	33

ABBREVIATIONS

ADB-IFAD RMFP	Asian Development Bank-International Fund for Agricultural Development Rural Microenterprise Finance Project
BSP	Bangko Sentral ng Pilipinas (Central Bank of the Philippines)
CFI	Countryside financial institutions
DTI	Department of Trade & Industry
EDCP	Enterprise Development & Credit Programs
FARE	Food & Agriculture Retail Enterprises
GBA	Grameen Bank Approach
HIRAM	Helping Individuals Reach their Aspirations through Microcredit
IFI	Intermediary Financial Institution
Landbank	Land Bank of the Philippines
MABS-M	Microenterprise Access to Banking Services in Mindanao
MFI	Microfinance Institution
NGO	Non-government organization
NLSF	National Livelihood Support Fund
PBSP	Philippine Business for Social Progress
PCFC	People's Credit & Finance Corporation
PL	Program lender
PO	People's Organization
POSE	Promotion of Small Enterprises
QuedanCor	Quedan and Rural Credit Guarantee Corporation
RBAP	Rural Bankers Association of the Philippines
RBRDFI	RB Research and Development Foundation
RFI	Rural Financial Institutions
RPCFI	Rediscounting Program for Countryside Financial Institution
SHG	Self-help group
STD	Special time deposit
TST/SELA/NGO-MCP	Tulong sa Tao/Self-employment Assistance Livelihood/Non-government Organizations for Microcredit
UCPB-CIIF	United Coconut Planters Bank-Coconut Industry Investment Fund
USAID	United States Agency for International Development

MINDANAO RURAL BANKS: FUNDING SOURCES AND CREDIT PROGRAMS FOR MICROENTERPRISES

EXECUTIVE SUMMARY

This research brief looks briefly at the funding sources of Mindanao rural banks, and presents selected credit programs that wholesale funds to rural banks for microenterprise finance. The funding structure of Mindanao rural banks, the important changes that had occurred, and the relative importance of deposits, networth and borrowings are discussed. Six credit programs targeting microenterprises and the poor are included in this brief. A detailed profile of each program is in the Annex.

The purpose in presenting the credit programs is to inform rural bankers interested in expanding their microenterprise portfolio, and need to augment their resources to do so, which programs they could tap. The judgment call on which program would be appropriate and helpful to their bank rests entirely on the management of each bank. In the final reckoning, deposits are still the more viable, reliable and cheaper funding source for a bank.

Important highlights are as follows:

- ☐ Deposits are a primary source, but Mindanao rural banks lag behind the industry average, and need to do more.
- ☐ Small savers, 9 of 10 depositors, are the major suppliers of credit funds, providing more than a third of total loanable resource.
- ☐ Deposit taking policies and practices favorable to small savers could potentially generate more, but Mindanao rural banks need to overcome their laid back approach, and learn to promote their services more aggressively.
- ☐ A few innovators are designing products and actively promoting their deposit services, but their tribe has yet to increase.
- ☐ Capital accounts, second in importance to deposits, have grown well enough on account of improved profitability (till 1997), and increase in capital requirements.
- ☐ Mindanao rural banks borrow P0.20 out of every P1.00 loanable fund, and tend to borrow more than the average in the industry. They have diversified their sources of borrowings and now access commercial sources, too. LandBank and BSP are important sources for their agricultural loans.
- ☐ Borrowing from credit programs does not appear to be much. A sprinkling of rural banks in Mindanao have taken loans from programs for microcredit and/or microenterprises.
- ☐ The People's Credit and Finance Corporation (PCFC) is currently the most important provider of wholesale funds for microlending. It has two programs. The bigger one, with ADB-IFAD funding, lends only to replicators of the peer group lending methodology of Grameen Bank. This

inflexibility, inherent in the program design, slows down program implementation.

- ❑ Mindanao shares about one-fifth of the credit program activities, in terms of funds and clientele reached.
- ❑ Most lending programs price their loans based on market rates. Some programs offer long-term loans as well as soft loans to support operating expenses.
- ❑ Constraining factors on the ground and at the level of the retail institutions slow down program implementation and restrain expansion.

In conclusion, a lot of money is available from credit programs. Rural banks seriously wanting to increase their portfolio for microenterprises, and need to augment their resources to do so, have options to choose from. Nonetheless, rural banks should view these programs as a temporary aid to expand their loan portfolio to the microenterprise sector to a profitable and sustainable level. Program funds are not a substitute for bank effort to generate more deposits; rather, rural banks should use such funds to help them develop their deposit clientele base and credit markets.

**MINDANAO RURAL BANKS:
FUNDING SOURCES
AND
CREDIT PROGRAMS FOR MICROENTERPRISES**

INTRODUCTION

The number of rural bank outlets in Mindanao had grown remarkably by fifty percent more since 1994 principally on account of rapid branching over the last three years or so. This growth in physical outlets was matched by a relatively modest rise in total resources whose structure had shifted, during the nineties, in favor of internally generated resources. This is a stark contrast to what it had been in the seventies and the eighties.

This research brief comes in two parts, and intends to do the following:

- ☐ take a quick look at the funding sources of Mindanao rural banks; and
- ☐ present selected credit programs that provide wholesale funds to intermediary financial institutions (IFIs) for the microenterprise and other low income sectors.

The intention in presenting the credit programs is to inform rural bankers interested in microenterprise finance about programs they may access for augmenting their resources. Rural banks have learned well enough from their past experiences with directed credit programs to weigh, and discern, what programs would be helpful or harmful to their banks. In the final reckoning, deposits are still the more viable, reliable and cheaper source of funds for a bank. Gathering more deposits is what the program *Microenterprise Access to Banking Services in Mindanao* (MABS-M) would like to encourage rural banks to do. MABS-M is a four-year program to develop the capacity of rural banks in Mindanao to expand its deposit and credit services to the microenterprise sector. It is a joint project of the Rural Bankers Association of the Philippines (RBAP), the RB Research and Development Foundation (RBRDFI), United States Agency for International Development (USAID), and the Government in Mindanao.

I. FUNDS SOURCING

At the end of 1997, rural banking had grown into a P57 billion asset industry that had at its disposal some P53.0 billion worth of credit resources. Around 136 Mindanao rural banks,¹ comprising less than 15 percent of the industry's assets and lending funds, had about P6.3 billion loanable resources in their books. These credit funds come from deposits, borrowings, owner's capital, and undivided profits. In the balance sheet of some rural banks, there is a minor item there called non-reserve deposits. These are

¹ The June 30, 1998 data of BSP's Special Reports and Studies Office (SRSO) show 158 head offices and 157 branches of rural banks in all of Mindanao. This head count, however, includes some banks no longer operating. It should be noted that rural banks in Mindanao, as in the rest of the country, had been expanding their reach through branching than in setting up new units.

composed of special time deposits (STDs) from credit programs, mostly from the past, and special deposits in the name of village associations.

Table 1 shows us the funding structure and how each component had grown in recent years. It reveals the primacy of deposits in the present sourcing of funds, and the relatively more important role of capital accounts for Mindanao rural banks. Capital accounts had grown well enough due to an increase in the capital requirement as well as improved profitability at least until 1997.

Table 1. Sources of Loanable Funds, 1997

Sources	Amount (in Million Pesos)		Percent Share to Total		Times Increase (X) 1997/1995	
	All Rural Banks	Mindanao RBs	All Rural Banks	Mindanao RBs	All Rural Banks	Mindanao RBs
Deposits	36,615.0	3,584.1	69.3	56.2	1.6X	1.3X
Non-reserve deposits	52.2	7.6	0.1	0.1	0.5	0.2
Bills payable	7,508.4	1,265.6	14.2	19.9	1.7	1.4
Capital accounts	8,643.9	1,514.8	16.4	23.8	1.6	1.6
TOTAL	52,520.0	6,372.1	100.0	100.0	1.6	1.4

Source of basic data: SRSO, Bangko Sentral ng Pilipinas

Deposits

- ❑ Deposits are a primary source, but Mindanao rural banks lag behind the industry average, and need to do more.

Deposits have largely replaced the cheap funds that government directed credit programs used to supply in abundance to rural banks in the seventies and eighties. Industry-wide, deposits were 70 percent of the total credit resources, while in terms of the ratio of deposits to total loan portfolio, 90 percent in 1997 was a far cry from what it was in 1980 (36 percent).

Mindanao rural banks fall behind the industry average as regards deposits generation. Their deposits comprised merely 56 percent of the total credit resources, and the ratio of deposits to loan portfolio (65 percent) was far lower than the industry average.

- ❑ Small savers (regular savings account holders) are the major suppliers of funds, providing P0.36 out of every P1.00 loanable resource of Mindanao RBs.

Based on the BSP data, rural banks nationwide were serving as much as 1.7 million savers in 1997,² with

² Using number of accounts as proxy. It is likely that some borrowers hold more than one account. This is ignored at the moment.

Mindanao rural banks reaching close to 300,000 savers. These figures though appear to understate the number of people depositing with rural banks. In any case, our estimate of the number of savers is two to three times those that borrow. Some Mindanao rural banks reach as much as six times their borrowers.

Looking at the structure of deposits, 9 out of 10 depositors hold savings deposit account, and provide more than half of the total amount of deposits. This is true for the whole industry as well as Mindanao. The more expensive time deposits had been growing in importance, too, while demand deposits, though rising, are still a minuscule portion since only a few Mindanao RBs have checking account services.

Table 2. Structure of Deposits, 1997

	Amount of deposits (in P million)		Percent share, by type of deposit	
Type of Deposit	All Rural Banks	Mindanao RBs	All Rural Banks	Mindanao RBs
Savings	19,030.3	2,264.7	52.0	63.2
Time	17,048.8	1,231.4	46.5	34.4
Demand	535.9	87.9	1.5	2.4
TOTAL	36,615	3,584.1	100.0	100.0

Source: SRSO, Bangko Sentral ng Pilipinas

- ❑ Deposit taking policies and practices favorable to small savers could potentially generate more; to do so, however, Mindanao RBs need to promote and market their services.

Given their policies and practices in deposit taking, rural banks are reaching a segment of the financial market that cannot otherwise access the services of the big banks, and there is still a big potential market for them out there. Compared to other banks, rural banks generally accept much smaller amounts to open and maintain an account. It usually takes only P100 to open a savings account; some rural banks accept amounts as low as P50. Below the minimum maintaining balance, a few banks even waive penalty charges. For a time deposit account, P1,000 minimum is common. Because of these practices, it is easy for rural banks to serve savers that include school children, public market vendors and small shop owners, tricycle drivers, members of self-help groups, and the like.

Rural banks in Mindanao also tend to pay higher rates to their depositors than commercial banks do. Their interest rates on savings deposits, which are normally 5 to 6 percent, are 2 to 3 percentage points higher than what commercial banks pay. On time deposits, rural banks also match or pay more than commercial banks.

Lacking aggressive promotional campaigns, Mindanao rural banks tend to take a laid back approach of waiting for depositors to come in and/or requiring their borrowers to have a deposit account with them. It is fairly common for rural banks to solicit and pick up deposits daily in public markets and commercial centers. For practical reasons, their deposit pick up services appear to be confined to areas that are in close proximity to the bank. However, there are also those that are more innovative and aggressive in marketing their services, although their tribe has yet to increase.

The following are examples of some creative practices we found in the field:

- using the traditional piggy bank to encourage depositors to save up tiny amounts as often as possible in his/her own “bank”, and to deposit the amount so saved with the rural bank;
- tapping school officials to help campaign for savings among school children;
- working with self-help groups or savings clubs to gather deposits; and
- offering savings products that provide the right to a loan and/or life insurance.

Borrowings

- ❑ Mindanao rural banks borrow P0.20 out of every P1.00 of credit funds they have.

They tend to borrow more than the industry average. Mindanao RBs have diversified their external funding sources. This sharply contrasts from the previous two decades when their preference, and all they could access, were the lending windows of the then Central Bank and government credit programs. Those were the years of subsidized credit and cheap funds though. The rediscounting windows and/or credit lines from BSP and government banks, especially LandBank, remain important though for agricultural loans that are secured by collateral. These facilities are priced according to the market for treasury bills.

Another significant thing to note is that rural banks are now able to access commercial funds through the rediscount and/or credit line facilities of commercial banks such as SolidBank, United Coconut Planters Bank, Far East Bank, etc.

As regards funding from credit programs, it is not possible to determine from available data the extent rural banks in Mindanao source their funds from directed credit programs, as a whole, and from credit program for the microenterprise sector and low income groups, in particular. At this time, this does not appear to be much, however.

II PROGRAMS FOR MICROENTERPRISE FINANCE

Out of the more than 85 government directed credit programs currently in place, we identified six programs for microenterprise finance that wholesale loans through accredited IFIs that include rural and cooperative banks.

Three programs are implemented by government-owned non-bank financial institutions. These are the People’s Credit and Finance Corporation (PCFC); the National Livelihood Support Fund (NLSF), and the Quedan and Rural Credit Guarantee Corporation (QuedanCor). One implementor is an executive department of the government – the Department of Trade and Industry (DTI); and another is a state-owned universal bank, the Land Bank of the Philippines (LandBank).

Some private foundations and international NGOs also provide wholesale funds through rural and cooperative banks to support income generating activities of their target borrowers. To have a flavor of what such foundations offer, we have included two programs from the UCPB-CIIF Foundation and Philippine Business for Social Progress (PBSP).

The program profiles can be seen in an annex to this brief. Each profile provides a guided tour of the objectives, priority projects, accreditation criteria, loan terms, requirements, other conditionalities, and

contact persons. In general, the credit programs aim to reach the rural and urban poor, including small farmers and fisherfolks, retailers in public or private market areas, wives and dependents of farmers, the families of overseas contract workers, women from poor households, and other microentrepreneurs.

A sprinkling of rural banks in Mindanao have accessed program funds available from PCFC, the NLSF, the QuedanCor, and the microcredit program that the DTI implements.

People's Credit and Finance Corporation

- ❑ Currently the most important provider of wholesale funds to microlending IFIs, PCFC focuses solely on credit to the low income groups and, hence, on income generating activities (IGA) and microenterprises.

The 3-year old PCFC has loanable resources totaling P1.3 billion. Additional programmed funds would increase this total to P2.4 billion. PCFC is a government non-bank financial institution whose mandate is to provide funding to various microfinance institutions (MFIs) for poverty lending in support of the government's Social Reform Agenda (SRA). PCFC targets poor households in non-agrarian reform communities. It is presently wholly capitalized by the National Livelihood Support Fund (NLSF).

PCFC implements two poverty-oriented credit programs under (a) HIRAM (Helping Individuals Reach Their Aspirations through Microcredit); and (b) ADB-IFAD Rural Microenterprise Finance Project (ADB-IFAD RMFP). These are shown in Table 3. The conduits for these programs include rural banks, cooperative banks, other countryside banks, and NGOs. These are the same types of conduits that PCFC mobilizes for its RMFP lending. The difference is that the latter lends only to replicators or adaptors of the peer group lending methodology popularized by Grameen Bank (GB) of Bangladesh. PCFC programs require a partner IFI to set up a microfinance unit.

HIRAM is funded from NLSF, and has been around for about 3 years. The second program, RMFP, is supported by a loan consortium from the Asian Development Bank (ADB) and the International Fund for Agricultural Development (IFAD). RMFP started wholesaling actively only in 1998. In both programs, PCFC has accredited around 28 rural and cooperative banks in Mindanao. Five of these banks had been actively borrowing from PCFC in the last two or three years.

NLSF is another government non-bank financial institution. It is a subsidiary of the LandBank. The NLSF also wholesales funds for non-agricultural livelihood activities of households in communities covered by the agrarian reform program. In effect, the LandBank is the mother institution of NLSF and PCFC. LandBank, on the other hand, is the biggest supplier of on-lending funds to other financial institutions for agricultural credit and agrarian reform communities. It administers various government credit programs, as well as rediscounting and credit line facilities that rural banks often use.

Characteristics of credit programs

- ❑ The most important is that interest rates are dominantly market-oriented.

In Table 4, the following are noteworthy to underscore:

- Long-term wholesale funds are available from the PCFC program (RMFP - up to a 7 year term); and the DTI program (up to 5 years). The DTI program funds are however available mostly to

NGOs, cooperatives, and cooperative rural banks.

- Soft loans to support operational costs are available from PCFC (called *institutional loan*) and NLSF. The soft loan from PCFC, for instance, can be used to fund some operating costs of a partner IFI's microfinance unit like salaries, purchase of transport and computer facilities, staff training, and the like.
- The wholesale interest rates range between 10-18 percent per annum. Some programs charge a flat rate and collect up front service fee per loan. The wholesale lending rates are more often pegged to the market rates of treasury bills (T-bill) or higher. Though the interest costs to retailers appear reasonable, these are still higher compared to the cost of generating deposits.
- The pass-on rates to sub-borrowers are normally determined by the IFIs. By and large, the pass-on rates are based on the prevailing market rates giving the retailer more than enough income spread to cover for its overhead costs. It is common for a retailer to charge interest rates on a flat or add-on basis.

Status of the Lending Programs

- ❑ Mindanao regions share about one-fifth of the credit program activities, in terms of funds disbursed and clients reached.

The lending programs we have included in this research brief have had about 775 participating IFIs in Mindanao that include banks, NGOs, and private voluntary organizations, out of a total 2,500 nationwide. NGOs make up the bulk of the IFIs, simply because these are the institutions most widely reached by the DTI program. The DTI program has had an early head start among the microcredit programs. From the beginning of their respective lives, these programs had disbursed a cumulative total of P9.9 billion nationally, with P1.85 billion to the IFIs in Mindanao, or an average P2.4 million per IFI.

Through the IFIs, the different programs reported reaching a total of 382,886 borrowers nationwide. Of this total, around 20 percent (75,128 sub-borrowers) were in Mindanao. Given this, the participating institutions in Mindanao had reached, on the average, fewer than a hundred borrowers each, on a cumulative basis. There may be an efficiency issue here, but this is something beyond the scope of this research brief to dwell on.

- ❑ Constraining factors on the ground and at the level of the retail institutions slow down program implementation and restrain expansion.

Based on reports, the main implementation concerns of UCPB-CIIF include the liquidity problems of rural financial institutions, high transaction costs, lack of manpower at the field level and, notably, the lack or limited number of worthy borrowers in the rural areas. In the case of a program that is dependent to some extent on the government budget, the DTI's *Tulong sa Tao* is seriously hampered by the slow releases of funds. Another program implemented by a government non-bank financial institution have had to suspend its operations temporarily because of poor repayment.

Liquidity problems and high past due rates of banks have also constrained PCFC's programs from expanding its network of partners. In certain cases, PCFC programs are bedeviled by a lack of commitment on the part of some partner banks. This lack of commitment is manifested in the failure of banks to implement the requirements of the program, and their hesitance to implement the self-help group formation. The ADB-IFAD Program that PCFC implements probably faces a more formidable constraint that originates from the program design. By insisting on the replication of the Grameen Bank methodology, to the exclusion of other approaches, the program has built-in flexibility problems. At present, therefore, the most pressing concern that PCFC faces is the limited number of microfinance institutions willing to adopt its prescribed credit approach.

Concluding remarks

There is ample supply of funds for microcredit and microenterprises. By and large, however, there exist fundamental problems that should be resolved first before a lot of money could be shoved through the IFIs, be they rural banks, NGOs or PVOs. It is too much of a risk for program implementors to push their programs through rural banks, and other IFIs for that matter, only for the sake of disbursing their funds. It is also risky for IFIs. For rural banks, the lessons of experience in this regard are still too fresh to be disregarded. For both program lenders and IFIs, therefore, it is more prudent to err on the side of caution.

Rural banks should view these lending programs as a temporary aid to expand their loan portfolio to the microenterprise sector to a profitable and sustainable level. Program funds are not a substitute for bank effort to generate more deposits; rather, rural banks should use such funds to help them develop their deposit clientele base and credit markets.

LIST OF TABLES

LIST OF LENDING PROGRAMS

LENDING PROGRAM	QUALIFIED PARTNERS	PRIORITY PROJECTS	TARGET BENEFICIARIES	LOAN TERMS AND CONDITIONS	APPLICATION REQUIREMENTS
Helping Individuals Reach Their Aspirations Trough Microcredit (HIRAM) by Philippine Credit Finance Corporation	<ul style="list-style-type: none"> · Financial Institutions · Non-government Organizations · People's Organizations · <u>Accreditation Criteria:</u> a) duly registered under Philippine Laws¹ b) 20% & below past due rate c) 10% capital to risk-asset ratio d) no legal reserve deficiency for 1 year e) no major BSP audit exceptions f) no loans in arrears from any financial institutions g) presence of specialized lending group h) at least 500 existing clients 	<ul style="list-style-type: none"> · Livelihood projects · Expansion of existing business · Off-farm & not directly involves agricultural activities i.e. farming and fishing · Agri business i.e. selling of fertilizers and other farm implements · Other projects i.e. trading and vending, food processing, handicrafts and services 	<ul style="list-style-type: none"> · small farmer, fisherfolks and their dependents · landless farm workers · sharecroppers · pastoral nomads and cultural communities · rural artisans · unemployed men and women · inhabitants of forested areas · out of school youth · calamity victims 	<ul style="list-style-type: none"> · <u>Loan size:</u> P1,000 to P25,000 depending on the project cost · <u>Loan duration:</u> 1 to 3 yrs or co-terminus with borrower's loan term · <u>Interest rate:</u> 12% p.a. based on diminishing balance · <u>Service charge:</u> 1% based on amount of drawdown · <u>Collateral:</u> co-makeship or solidarity and joint liability 	<ul style="list-style-type: none"> · information on the organization · corporate papers² · board resolution to borrow · info sheets for officers & directors · annual report for past 3 yrs · audited FS for the past 3 yrs

¹Registered with the Securities and Exchange Commission, Cooperative Development Authority or Bangko Sentral ng Pilipinas

²Corporate papers include certificate of registration, articles of incorporation, and by laws.

LENDING PROGRAM	QUALIFIED PARTNERS	PRIORITY PROJECTS	TARGET BENEFICIARIES	LOAN TERMS AND CONDITIONS	APPLICATION REQUIREMENTS
Tulong Sa Tao/Self-Employment Assistance Livelihood/Non-Government Organizations for Micro-Credit (TST/SELA/NGO-MCP) by Department of Trade and Industry	<ul style="list-style-type: none"> Non-stock, non-profit corporations Credit unions Cooperatives Cooperative Rural banks Foundations Associations Civic groups <u>Accreditation Criteria</u> <ol style="list-style-type: none"> duly registered under Philippine laws 3 years experience on social mobilization permanent office and staff for program risk to asset ratio of 1:5 current ratio of 1:1 80% collection ratio 	<ul style="list-style-type: none"> Non-agri microenterprise Manufacturing Agro-processing Trade Transport Services 	<ul style="list-style-type: none"> Individual Self Help Groups (SHGs) 	<ul style="list-style-type: none"> <u>Loan size</u>: <ol style="list-style-type: none"> P25,000 to P50,000 for individuals P200,000 for SHGs <u>Loan duration</u>: <ol style="list-style-type: none"> maximum of 3 years for individuals maximum of 5 years for Selp Help Groups <u>Interest rate</u>: 12% p.a. fixed rate <u>Penalty charge</u>: 1% per mo. based on amount in arrears <u>Collateral</u>: Finance Institution equity of at least 15% and beneficiary equity of at least 10% of total project costs through provisions of money; goods and/or services 	<ul style="list-style-type: none"> Accomplished application form corporate papers latest externally audited Financial Statement organizational structure financial & lending record board resolution to borrow
National Livelihood Support Fund (NSLF) by Land Bank of the Philippines	<ul style="list-style-type: none"> Non-government Organizations People's Organizations Financial Institutions <u>Accreditation Criteria</u>: <ol style="list-style-type: none"> duly registered under Phil. laws at least 3 yrs of satisfactory record on livelihood lending sufficient manpower established internal & documentation system 10% capital risk asset ratio past due not exceeding 25% no legal reserve deficiency and major audit findings from BSP 	<ul style="list-style-type: none"> Depending on the needs and capabilities of the target beneficiaries Viable and has a ready market for the products or services Able to generate income for the target beneficiaries within a short period of time Within the capability of the end-beneficiaries to manage In accordance with or consistent to the over-all development plan of the area 	<ul style="list-style-type: none"> Wives and dependents of farmers in Agrarian Reform Communities Other non-farmer households in Agrarian Reform Communities Other sectors in non-ARCs covered under special tie-up 	<ul style="list-style-type: none"> <u>Loan size</u>: depend on credit requirements of proposed livelihood program but not to exceed PFIs asset base <u>Loan duration</u>: 1 year <u>Interest rate</u>: <ol style="list-style-type: none"> 12% p.a. for revolving credit line 3% p.a. for soft loan <u>Penalty charge</u>: up to 12% p.a. penalty with 30 days grace period <u>Collateral</u>: assignment of sub-borrowers Promissory Notes and all underlying collaterals 	<ul style="list-style-type: none"> accomplished application forms corporate papers data sheets of officers and board of directors board resolution to borrow audited Financial Statement for last 3 years latest interim Financial Statement
Rediscounting Program for Countryside Financial Institution by Land Bank of the Philippines	<ul style="list-style-type: none"> Countryside Financial Institutions (CFIs) <u>Accreditation Criteria</u>: <ol style="list-style-type: none"> duly registered under Phil. laws no major irregularities on BSP audits risk asset ratio of 10% past due ratio of 50% 	<ul style="list-style-type: none"> crop production poultry livestock & aquaculture production Quedan & other agricultural production loan other livelihood projects undertaken by rural entrepreneurs 	<ul style="list-style-type: none"> agrarian reform farmers farmer cooperatives small farmers/producers/ fishermen farmers owning more than 5 has countryside livelihood activities OCWs accredited & 	<ul style="list-style-type: none"> <u>Rediscounting limit</u>: 85% of rediscounted notes but not to exceed LBP loan ceiling <u>Loan duration</u>: 1 year to 18 months <u>Interest rate</u>: prime rate + 1 or 91 day t-bill rate + 3% for OCWs promissory notes covering livelihood projects 	<ul style="list-style-type: none"> accomplished application forms for accreditation and rediscounting corporate papers board resolution to borrow list of officers & directors audited Financial Statement for 3 yrs. generally accepted management practices

LENDING PROGRAM	QUALIFIED PARTNERS	PRIORITY PROJECTS	TARGET BENEFICIARIES	LOAN TERMS AND CONDITIONS	APPLICATION REQUIREMENTS
	<ul style="list-style-type: none"> and below e) nominal profits for the past 3 years and the current interim period f) met the minimum capital required by BSP g) adequate reserves for the 4 weeks period preceding application based on submitted FS 	<ul style="list-style-type: none"> deployment/placement fees of OCWs all projects eligible under small-agri rediscounting & ALF/CLF program other livelihood projects undertaken by OCWs & their dependents that OWWA found fit under the program 	<ul style="list-style-type: none"> certified by POEA & OWWA Small and medium enterprises whose asset base is not more than P60 M 	<ul style="list-style-type: none"> <u>Collateral:</u> <ul style="list-style-type: none"> a) Promissory Notes for livelihood projects b) assignment of all rights titles; interest; pledges; guarantees; Sureties' hold outs; Quedan TR; CHM; REM 	
Food and Agriculture Retail Enterprises (FARE) by QUEDAN and Rural Credit Guarantee Corporation	<ul style="list-style-type: none"> Universal banks Commercial banks Private Development banks Other types of banks duly accredited by QUEDANCOR <u>Accreditation Criteria:</u> <ul style="list-style-type: none"> a) duly registered under Phil. laws b) satisfactory credit record c) in good standing & with no major audit findings from BSP 	<ul style="list-style-type: none"> raw, semi-processed or fully processed agricultural, aquatic, poultry, livestock and other agri-related commodities sold on retail e.g. rice, corn, vegetables, fish, fruits, chicken, meat, fertilizers, pesticides, feeds and the like 	<ul style="list-style-type: none"> retailers in public or private market areas defined in location map and deemed operationally viable through a market survey 	<ul style="list-style-type: none"> <u>Loan size:</u> P20,000 - P500,000 <u>Loan duration:</u> maximum 180 days in fixed 26 weekly amortizations for loans not exceeding P50,000 <u>Interest rate:</u> <ul style="list-style-type: none"> a) 14% p.a. for weekly basis payment b) 16% p.a. for monthly basis payment <u>Service charge:</u> 10 % non refundable <u>Penalty charge:</u> <ul style="list-style-type: none"> a) 2.5% per month on unpaid principal due b) 0.1% per day surcharge on unpaid amortization until actual payment <u>Collateral:</u> <ul style="list-style-type: none"> a) PN w/ trust receipt and 2 co-makers or deed of assignment of Quedancor shares of equivalent par value or certificate of bank deposits/ placements for loans up to P20,000 b) above collaterals & REM/CHM for loans P30,000 to P500,000 	<p>For Financing Institutions:</p> <ul style="list-style-type: none"> accomplished application form corporate papers board resolution to borrow list of officers & directors audited FS <p>For sub-borrowers:</p> <ul style="list-style-type: none"> stall award or any substitute document. accreditation from Quedancor. current Mayor's permit or Municipal License. NFA retailers license, if engaged in grains retailing. savings account with Lending Bank project proposal for loans amounting to P100,000 and above
Promotion of Small Enterprises (POSE) By Small & Medium Enterprise Credit (SMEC) of Philippine Business for Social Progress (PBSP)	<ul style="list-style-type: none"> a corporation, partnership or business organizations more than 50 % owned by Philippine nationals with principal place of business outside NCR or 100 % privately owned business with total assets of not more than P15M <u>Accreditation Criteria:</u> <ul style="list-style-type: none"> a) duly registered under Phil. laws b) capital to risk asset ratio 	<ul style="list-style-type: none"> light industrial manufacturing light handicraft woodworking metal working services (w/social impact) agri processing or manufacturing agricultural trading non traditional production pioneering in nature but to exclude activities that are adverse to the interest of women, entail pollution, contribute to the depletion of 	<ul style="list-style-type: none"> off-farm enterprises engaged in manufacturing or agri business 	<p>For Intermediary Financial Institutions (IFIs):</p> <ul style="list-style-type: none"> <u>Loan size:</u> P30 M and below with 20% equity by Finance Institution <u>Loan duration:</u> 1 year to 18 months <u>Interest rates:</u> <ul style="list-style-type: none"> a) Weighted Average Interest Rate (WAIR) of 91- day t-bill rate or 9.6% + 2% for loans 1-3 yrs b) WAIR 91 day t-bill rate + 2.5% for 3 - 5 yrs <u>Penalty charge:</u> 	<ul style="list-style-type: none"> letter of intent accomplished application forms corporate papers credit agreement notarized copy of officer's certificate of estimated loan approval or anticipated sub-loan amount board resolution to borrow latest Financial Statement as submitted to Bangko Sentral ng Pilipinas

LENDING PROGRAM	QUALIFIED PARTNERS	PRIORITY PROJECTS	TARGET BENEFICIARIES	LOAN TERMS AND CONDITIONS	APPLICATION REQUIREMENTS
	<ul style="list-style-type: none"> of 10% c) past due ratio of 25% at the time of application d) no major audit findingsd from BSP for the past 3 years e) positive income for the last 3 years f) meet the minimum capitalization of BSP g) 3 years existence with good track record 	tropical forests and ignore the protection of working children		<p>pretermination penalty of 3% p.a. based on outstanding balance</p> <p>For SME borrowers:</p> <ul style="list-style-type: none"> · <u>Loan size:</u> P 5 M maximum at prevailing market rate · <u>Collateral:</u> automatic assignment of sub-borrowers collaterals 	
Enterprise Development & Credit Programs By United Coconut Planters Bank (UCPB) - Coconut Industry Investment Fund (CIIF) Foundaton & Coconut Investment Industry Fund Finance Corporation	<ul style="list-style-type: none"> · cooperative banks · rural banks · development banks · <u>Accreditation Criteria:</u> <ul style="list-style-type: none"> a) capital to risk asset of at least 10% b) past due ratio not higher than 25% c) profitable operations for last 3 yrs. d) paid up capital that meets BSP requirements e) willing to serve legitimate credit needs of CIIFs target clientele f) no outstanding past due dealings g) no deficiency reserve requirements h) no adverse findings and information from CIBI & BSP 	<ul style="list-style-type: none"> · projects using coconut or its derivatives as raw materials 	<ul style="list-style-type: none"> · coconut farmers engaged in any income generating or enhancement project · coconut traders and entrepreneurs engaged in any activity using coconut or its derivatives as raw materials 	<ul style="list-style-type: none"> · <u>Loan size:</u> minimum credit line of P500,000 and maximum up to allowable expansion of risk assets · <u>Interest rate:</u> 14% p.a. within prescribed period or UCPB pool rate · <u>Collateral:</u> <ul style="list-style-type: none"> a) clean, guarantee, secured b) one year credit line via 90, 180 or 360 day Promissory Note 	<p>For pre-qualified RFI:</p> <ul style="list-style-type: none"> · board reso authorizing participation and authorized signatories · authority for CIIF to secured data from agencies and institutions; <p>For other RFI:</p> <ul style="list-style-type: none"> · board resolution authorizing paticipation and authorized signatories · certified list of top ten shareholders indicating share in RFI paid up capital · certified list of BOD · audited for last 3 years. · latest FS submitted to BSP and latest BSP audit

**TABLE 3. MATRIX OF INFORMATION ON SELECTED
CREDIT PROGRAMS FOR THE MICROENTERPRISE SECTOR
(as of December 1, 1998)**

IMPLEMENTING AGENCY	CREDIT PROGRAM	PROGRAM OBJECTIVES	QUALIFIED PARTNERS/ ACCREDITATION CRITERIA	PRIORITY PROJECTS	TARGET BENEFICIARIES	APPLICATION REQUIREMENTS (for conduits)
People's Credit & Finance Corporation	Asian Development Bank- International Fund for Agricultural Development Rural Micro-enterprise Finance Project (ADB-IFAD RMFP)	to provide the poor access to credit to uplift their economic status	<ul style="list-style-type: none"> Non-government organizations; People's Organizations; Financial Institutions implementing the Grameen Bank Approach (GBA) of providing loans to individuals for their livelihood projects Accreditation Criteria: <ul style="list-style-type: none"> a). Has financial resources of at least P500,000 and a minimum net worth of at least P250,000; b). A current ratio of at least 1:1 c). Has a satisfactory external audit report for the previous financial year; d). Must not be in default with PCFC or any other formal or informal financial institution 	<ul style="list-style-type: none"> viable and has a ready market for the product or service able to generate income for the clients within a short period of time within the capability of the clients to manage must be able to generate capital build-up funds for the clients must comply with all government rules and regulations 	<u>rural poor women</u> belonging to the poverty sector as defined by the National Economic Development Authority (NEDA) and as identified by the government's Social Reform Agenda	<ul style="list-style-type: none"> Board resolution or authority to borrow and designation of officers to negotiate Information on the organization including plans and programs Certificate of Registration, Articles of Incorporation and By-Laws Info sheet on the members of the Board of Directors and Principal Officers Annual Reports for the past three years if applicable including Audited Financial Statements for the past three years
People's Credit & Finance Corporation	Helping Individuals Reach Their Aspirations Through Microcredit (HIRAM)	To provide investment credit or loans to accredited Non Government Organizations (NGOs), Financial Institutions (FIs), and People's Organizations (POs) which are implementing credit assistance programs intended to fund livelihood projects that	<ul style="list-style-type: none"> Financial Institutions Non-government Organizations People's Organizations Accreditation Criteria: <ul style="list-style-type: none"> a) duly registered under Philippine Laws¹ b) past due rate not exceeding 15% c) capital to risk-asset ratio not below 10% d) no legal reserve deficiency for 1 year e) no major BSP audit findings f) no loans in arrears from any financial institutions g) presence of specialized lending group (a microfinance unit) 	<ul style="list-style-type: none"> Livelihood projects Expansion of existing business Off-farm & not directly involves agricultural activities i.e. farming and fishing Agri business i.e. selling of fertilizers and other farm implements Other projects i.e. trading and vending, food processing, handicrafts and services 	<ul style="list-style-type: none"> small farmer, fisherfolks and their dependents landless farm workers sharecroppers pastoral nomads and cultural communities rural artisans unemployed men and women inhabitants of forested areas 	<ul style="list-style-type: none"> information on the organization, i.e., certificate of registration, articles of incorporation and by-laws corporate papers² board resolution to borrow info sheets for officers & directors annual report for past 3 yrs audited FS for the past 3 yrs

¹ Registered with the Securities and Exchange Commission (SEC) or Cooperative Development Authority (CDA) or Bangko Sentral ng Pilipinas (BSP)

² Corporate papers include certificate of registration, articles of incorporation, and by laws.

IMPLEMENTING AGENCY	CREDIT PROGRAM	PROGRAM OBJECTIVES	QUALIFIED PARTNERS/ ACCREDITATION CRITERIA	PRIORITY PROJECTS	TARGET BENEFICIARIES	APPLICATION REQUIREMENTS (for conduits)
		can augment the income of targeted poor clients	h) at least 500 existing clients		<ul style="list-style-type: none"> out of school youth calamity victims 	
Department of Trade and Industry	Tulong Sa Tao/Self-Employment Assistance Livelihood/ Non-Government Organizations for Micro-Credit (TST/SELA/ NGO-MCP)	<ul style="list-style-type: none"> To increase employment and income opportunities of Self-Help Groups to encourage savings mobilization among low income groups To increase production of goods and services by members of the low income groups To strengthen NGOs as conduits for servicing credit lines of low income groups 	<ul style="list-style-type: none"> Non-stock, non-profit corporations Credit unions Cooperatives Cooperative Rural banks Foundations Associations Civic groups <u>Accreditation Criteria</u> <ul style="list-style-type: none"> a) duly registered under Philippine laws b) 3 years experience in social mobilization c) permanent office and staff for program d) risk to asset ratio of 1:5 e) current ratio of 1:1 f) at least 80% collection ratio 	<ul style="list-style-type: none"> Non-agri microenterprise Manufacturing Agro-processing Trade Transport Services 	<ul style="list-style-type: none"> Individual Self-help groups (SHGs) 	<ul style="list-style-type: none"> Accomplished application form corporate papers latest audited FS organizational structure financial & lending record board resolution to borrow
National Livelihood Support Fund Corporation	National Livelihood Support Fund Program (NLSF)	To wholesale loans to NGOs, POs, and participating FIs to support the implementation of the credit assistance programs to fund the individual livelihood/ income augmentation projects of members of self-help groups and/or individuals belonging to the marginalized sectors in the Agrarian Reform Communities (ARCs)	<ul style="list-style-type: none"> NGOs People's organizations Financial institutions <u>Accreditation Criteria</u>: <ul style="list-style-type: none"> a) duly registered under Phil. laws b) at least 3 yrs of satisfactory record in livelihood lending c) sufficient manpower d) established internal & documentation system e) at least 10% capital risk asset ratio f) past due not exceeding 25% g) no legal reserve deficiency and major BSP audit 	<ul style="list-style-type: none"> Depending on the needs and capabilities of the target project end-user Viable and has a ready market Able to generate income within a short period of time Within the capability of the end-user to manage In accordance with or consistent to the over-all development plan of the ARC 	<ul style="list-style-type: none"> Wives and dependents of farmers in ARCs Other non-farming households in ARCs Other sectors in non-ARCs covered under special tie-up 	<ul style="list-style-type: none"> accomplished application forms corporate papers data sheets of officers and board of directors board resolution to borrow audited FS for last 3 years latest interim FS
Land Bank of the Philippines	Re-discounting Program for Countryside Financial Institution	To provide financial assistance to small farmers, producers, fisherfolks, cooperatives, associations, OCWs,	<ul style="list-style-type: none"> Rural banks, coop banks, development banks <u>Accreditation Criteria</u>: <ul style="list-style-type: none"> a) duly registered under Phil. laws b) no major irregularities on BSP audits c) risk asset ratio at least 10% 	<ul style="list-style-type: none"> crop production poultry livestock & aquaculture production Quedan & other agricultural production loan 	<ul style="list-style-type: none"> agrarian reform farmers farmer cooperatives small farmers/ producers/ fishermen farmers owning more 	<ul style="list-style-type: none"> accomplished application forms for accreditation and rediscounting corporate papers board resolution to borrow list of officers & directors

IMPLEMENTING AGENCY	CREDIT PROGRAM	PROGRAM OBJECTIVES	QUALIFIED PARTNERS/ ACCREDITATION CRITERIA	PRIORITY PROJECTS	TARGET BENEFICIARIES	APPLICATION REQUIREMENTS (for conduits)
		landowners, rural entrepreneurs, and other borrowers of the participating Countryside Financial Institutions (CFIs)	d) past due ratio of 50% and below e) nominal profits for the past 3 years and the current interim period f) meets the minimum capital required by BSP g) adequate reserves for the 4 weeks preceding application	<ul style="list-style-type: none"> other livelihood projects undertaken by rural entrepreneurs deployment/placement fees of OCWs all projects eligible under small-agri rediscounting & ALF/CLF program other livelihood projects undertaken by OCWs & their dependents that OWWA found fit under the program 	<ul style="list-style-type: none"> than 5 has countryside livelihood activities OCWs accredited & certified by POEA & OWWA Small and medium enterprises whose asset base is not more than P6 M 	<ul style="list-style-type: none"> audited FS for 3 yrs. generally accepted management practices
QUEDAN and Rural Credit Guarantee Corporation	Food and Agriculture Retail Enterprises (FARE)	<ul style="list-style-type: none"> To develop a vibrant market for farmers' produce To help stabilize retail prices of basic commodities by facilitating the flow of institutional credit to market retailers To encourage the banking sector to actively service the credit financing needs of market retailers 	<ul style="list-style-type: none"> Universal banks Commercial banks Private Development banks Other types of banks duly accredited by QUEDANCOR <u>Accreditation Criteria:</u> <ul style="list-style-type: none"> a) duly registered under Phil. laws b) satisfactory credit record c) in good standing & with no major audit findings from BSP 	<ul style="list-style-type: none"> raw, semi-processed or fully processed agricultural, aquatic, poultry, livestock and other agri-related commodities sold on retail e.g. rice, corn, vegetables, fish, fruits, chicken, meat, fertilizers, pesticides, feeds and the like 	<ul style="list-style-type: none"> retailers in public or private market areas defined in location map and deemed operationally viable through a market survey 	<p><u>For Financing Institutions:</u></p> <ul style="list-style-type: none"> accomplished application form corporate papers board resolution to borrow list of officers & directors audited FS <p><u>For sub-borrowers:</u></p> <ul style="list-style-type: none"> stall award or any substitute document. accreditation from Quedancor. current Mayor's permit or Municipal License. NFA retailers license, if engaged in grains retailing. savings account with lending bank project proposal for loans amounting to P100,000 and above
Philippine Business for Social Progress (PBSP)	Promotion of Small Enterprises (POSE)	To help intermediary financial institutions (IFI) increase their loan portfolio to small enterprises in the countryside, and take an active role in rural economic development	<ul style="list-style-type: none"> a corporation, partnership or business organizations more than 50 % owned by Philippine nationals with principal place of business outside NCR or 100 % privately owned business with total assets of not more than P15M <u>Accreditation Criteria:</u> <ul style="list-style-type: none"> a) duly registered under Phil. laws b) capital to risk asset ratio not less than 10% c) past due ratio not more than 25% at 	<ul style="list-style-type: none"> light industrial manufacturing light handicraft woodworking metal working services (w/social impact) agri processing or manufacturing agricultural trading non traditional production pioneering in nature but to exclude activities that are 	<ul style="list-style-type: none"> off-farm enterprises engaged in manufacturing or agri business 	<ul style="list-style-type: none"> letter of intent accomplished application forms corporate papers credit agreement notarized copy of officer's certificate of estimated loan approval or anticipated sub-loan amount board resolution to borrow latest Financial Statement as submitted to Bangko Sentral ng

IMPLEMENTING AGENCY	CREDIT PROGRAM	PROGRAM OBJECTIVES	QUALIFIED PARTNERS/ ACCREDITATION CRITERIA	PRIORITY PROJECTS	TARGET BENEFICIARIES	APPLICATION REQUIREMENTS (for conduits)
			<p>the time of application</p> <p>d) no major audit findings from BSP for the past 3 years</p> <p>e) positive income for the last 3 years</p> <p>f) meets the minimum capitalization of BSP</p> <p>g) 3 years existence with good track record</p>	<p>adverse to the interest of women, entail pollution, contribute to the depletion of tropical forests and ignore the protection of working children</p>		Pilipinas
United Coconut Planters Bank (UCPB) - Coconut Industry Investment Fund (CIIF) Foundation & Coconut Investment Industry Fund Finance Corporation	Enterprise Development & Credit Programs	<p>To provide funds to rural financial institutions (RFIs) for relending to qualified coconut farmer projects</p>	<ul style="list-style-type: none"> cooperative banks rural banks development banks Accreditation Criteria: <ul style="list-style-type: none"> a) capital to risk asset of at least 10% b) past due ratio not higher than 25% c) profitable operations for last 3 yrs. d) paid up capital meets BSP requirements e) willing to serve legitimate credit needs of CIIFs target clientele f) no outstanding past due dealings g) no major deficiency reserve requirements h) no adverse findings and information from CIBI & BSP 	<ul style="list-style-type: none"> projects using coconut or its derivatives as raw materials 	<ul style="list-style-type: none"> coconut farmers engaged in any income generating or enhancement project coconut traders and entrepreneurs engaged in any activity using coconut or its derivatives as raw materials 	<p><u>For pre-qualified RFI:</u></p> <ul style="list-style-type: none"> board resolution authorizing participation and authorized signatories authority for CIIF to secure data from agencies and institutions; <p><u>For other RFI:</u></p> <ul style="list-style-type: none"> board resolution authorizing participation and authorized signatories certified list of top ten shareholders indicating share in RFI paid up capital certified list of BOD audited for last 3 years. latest FS submitted to BSP and latest BSP audit

TABLE 4. SELECTED CREDIT PROGRAMS FOR THE MICROENTERPRISE SECTOR
LOAN TERMS & CONDITIONS
(as of December 1, 1998)

CREDIT PROGRAMS	LOAN SIZE		LOAN DURATION		INTEREST RATE		COLLATERAL	
	For IFI	Sub-borrowers	For IFI	Sub-borrowers	For IFI	Sub-borrowers	For IFI	Sub-borrowers
<i>PCFC: Asian Development Bank-International Fund for Agricultural Development Rural Microenterprise Finance Project (ADB-IFAD RMFP)</i>	<u>institutional loan</u> : not exceeding P700,000 <u>investment loan fund</u> : not exceeding P2.5 M per year per branch	P1,000 to P5,000 up to P14,000	<u>institutional loan</u> : 7 years <u>investment loan</u> : 1-7 years	6 mos.-1 year	<u>institutional loan</u> : 3% + 1% service charge <u>investment loan</u> : 12% flat + 1% service charge	not less than 24% for individual replicator branches which are less than 3 years old	assignment of sub-borrowers promissory notes; issuance of PDCs after release of funds	depends on the IFI
<i>PCFC: Helping Individuals Reach Their Aspirations Through Microcredit (HIRAM)</i>	<u>institutional credit</u> : not more than 20% of investment credit; <u>investment loan fund</u> : depends on the allowance for expansion of risk-asset ratio and technical capacity	P1,000 to P25,000 depending on project cost	<u>institutional credit</u> : 5 years <u>investment loan fund</u> : 1 year	1-3 years	10% p.a. + 1% service charge for both investment and institutional loans	depends on the IFI	assets acquired and others	co-makship or solidarity & joint liability
<i>DTI/BSMED: TST/SELA/NGO/MCP</i>	min. P50,000 but not to exceed P2 M per loan	<ul style="list-style-type: none"> • P25,000 to P50,000 per individual • P200,000 for SHGs 	up to 5 years inclusive of grace period not exceeding 2 years of principal	<ul style="list-style-type: none"> • max. of 3 years for individuals • max. of 5 years for SHGs 	12% p.a. fixed rate	not exceeding the commercial bank's rate prevailing in the area	Equity of at least 15% of total project cost	Equity of at least 10% of total project cost
<i>National Livelihood Support Fund</i>	depending on the financial statement	max. of P25,000	revolving credit line- 1 year automatic renewal	max. 3 months depending on P.N.	<ul style="list-style-type: none"> • 12% revolving credit line • 3% soft loan 	should not exceed 30%	guarantee agreement	depending on the IFI

CREDIT PROGRAMS	LOAN SIZE		LOAN DURATION		INTEREST RATE		COLLATERAL	
	For IFI	Sub-borrowers	For IFI	Sub-borrowers	For IFI	Sub-borrowers	For IFI	Sub-borrowers
<i>QUEDANCOR: Food and Agricultural Retail Enterprises (FARE)</i>	max. of P2M	depends on project requirement	1 year	1 year	16% p.a. if paid monthly or 18% p.a. if paid quarterly	determined by the IFI	REM	REM
<i>PBSP: Promotion of Small Enterprises (POSE)</i>	P30M and below w/ 20% equity by IFI	P5 M max. at prevailing market rate	1 year to 18 months	1 year to 18 months	Weightend Average Interest Rate (WAIR) of 91-day t-bill or 9.6%+2% for loans 1-3 years	depending on the IFI	automatic assignment of sub-borrower's collaterals	determined by the IFI
<i>UCPB-CIIF: Enterprise Development & Credit Programs (EDCP)</i>	min. credit line of P500,000 and max. up to allowable expansion of risk assets	P20,000 per PN per borrower	1 year and renewable	1 year from approval and renewable weekly	14% p.a. within prescribed period or UCPB Pool Rate	no cap; IFIs determine interest rate	<ul style="list-style-type: none"> clean, guarantee, secured 1 year credit line via 90, 180, 360-day promissory note 	depending on the FI
<i>LBP: Rediscounting Program for Countryside Financial Institution</i>	depending on risk acceptance criteria	depending on the FI	1 year to 18 months	1 year to 18 months	depending on the proposed projects	prime rate+ 1 or 91-day t-bill rate+ 3% for OCWs Pns covering livelihood projects	chattel REM	<ul style="list-style-type: none"> PNs for livelihood projects assignment of all rights, titles, interests, pledges

FUNDING SOURCES OF RURAL BANKS
Philippines & Mindanao
(Amount in Millions)

	Total Industry		ARMM		Western Mindanao		Northern Mindanao		Southern Mindanao		Central Mindanao	
Year	1995	1997	1995	1997	1995	1997	1995	1997	1995	1997	1995	1997
Deposits	23,250.9	36,615	8.4	29.4	154.4	220.7	1,088.2	1,061.2	1,291.09	1,971.5	244.4	301.3
<i>Demand</i>	322.5	535.9	29	0.029	0.183	0.213	17.5	10.16	19.3	75.9	0.037	1.6
<i>Savings</i>	12,331.3	19030.3	6.9	25.2	102.9	130.4	871.9	865.5	760.5	1037.2	176.3	206.4
<i>Time</i>	10,597.1	17,048.8	1.5	4.2	51.4	90.04	198.7	185.5	511.3	858.4	68.1	93.3
Non-reserve deposit	96.4	52.2	0.81	0.67	1.03	0.19	6.6	3.3	23.14	1.4	3.52	2.08
Bills Payable	4,002.7	7,072.6	55.86	75.85	36.5	56.47	205.83	67.1	359.8	794.8	141.4	192.7
Capital Accounts	5,361.6	8,643.9	(19.15)	31.15	57.71	97.4	478.71	699.9	324.9	550.5	123.42	135.9
TOTAL	32,711.6	52,419.7	45.92	137.07	249.64	374.75	1,779.34	1,831.5	2,042.17	3,318.2	512.74	631.98
Dep/TTL	71%	70%	18%	21.4%	62%	58.9%	61%	57.9%	65%	59.4%	40%	48%
% INC	62		33.5		66.6		97.15		61.5		81.13	

	Total Industry		MINDANAO		MIND/TI (in per cent)	
Year	1995	1997	1995	1997	1995	1997
Deposits	23,250.9	36,615	2,786.49	3,584.1	12	10
<i>Demand</i>	322.5	535.9	66.02	87.902	20.5	16.4
<i>Savings</i>	12,331.3	19030.3	1,918.5	2,264.7	15.6	11.9
<i>Time</i>	10,597.1	17,048.8	831	1,231.44	7.8	7.2
Non-reserve deposit	96.4	52.2	35.1	7.64	36.4	14.6
Bills Payable	4,002.7	7,072.6	799.39	1,186.92	20	16.8
Capital Accounts	5,361.6	8,643.9	965.59	1,514.85	18	17.5
TOTAL	32,711.6	52,419.7	4,629.81	6,293.5	14.1	12
Dep/TTL	71%	70%	60%	57%		
% INC	62		73.6		(2.1%)	

HIGHLIGHTS

- Ratio of deposit to the total liabilities of RBs in the Philippines decreased by 1% from 1995 to 1997
- Total Liabilities of all the RBs in the country increased by 62%
- Ratio of deposit to the total liabilities of RBs in Mindanao decreased by 3% from 1995 to 1997
- Total Liabilities of all the RBs in Mindanao increased by 73.6%
- Ratio of Total Liabilities of Mindanao RBs to the total industry in 1995 compared to that in 1997 decreased by 2.1%
- Ratio of deposits of Mindanao over the total industry decreased by 2% from 1995 to 1997
- Ratio of non-reserve deposit of Mindanao RBs to the total industry decreased by 21.8% from 1995 to 1997
- Ratio of bills payable of Mindanao RBs to the total industry decreased by 3.2% from 1995 to 1997
- Ratio of Capital Accounts of Mindanao RBs to the total industry decreased by 0.5% from 1995 to 1997
- Of the Total Deposit of all the RBs in the Philippines, 53% consist of savings deposit in 1995 and 52% in 1997
- Of the Total Deposit of all the RBs in Mindanao, 69% consist of savings deposit in 1995 and 63.2% in 1997
- Among the regions in Mindanao, Southern Mindanao poses the highest total deposit (46% of the total Mindanao RB deposit in 1995 and 55% in 1997) and ARMM the lowest (0.3% in 1995 and 0.8% in 1997)
- Total Liabilities is highest in Southern Mindanao (44.1% of the total Mindanao Liabilities in 1995 and 52.7% in 1997) and lowest in ARMM (0.99% in 1995 and 2.1% in 1997)
- Bills payable share to deposits plus bills payable show an increasing trend (14.7% in 1995 to 16.2% in 1997 among RBs in the country; 22.3% in 1995 to 24.9% in 1997 among Mindanao RBs)

FUNDING SOURCES OF RURAL BANKS
Philippines & Mindanao
(Amount in Millions)

	Total Industry		ARMM		Western Mindanao		Northern Mindanao		Southern Mindanao		Central Mindanao	
Year	1995	1997	1995	1997	1995	1997	1995	1997	1995	1997	1995	1997
Deposits	23250.9	36615	8.4	29.4	154.4	220.7	1088.2	1061.2	1291.09	1971.5	244.4	301.3
<i>Demand</i>	322.5	535.9	29	0.029	0.183	0.213	17.5	10.16	19.3	75.9	0.037	1.6
<i>Savings</i>	12331.3	19030.3	6.9	25.2	102.9	130.4	871.9	865.5	760.5	1037.2	176.3	206.4
<i>Time</i>	10597.1	17048.8	1.5	4.2	51.4	90.04	198.7	185.5	511.3	858.4	68.1	93.3
Non-reserve deposit	96.4	52.2	0.81	0.67	1.03	0.19	6.6	3.3	23.14	1.4	3.52	2.08
bills payable+ dues	4512.9	7508.4	55.863	75.853	46.914	68.995	226.396	109.758	436.54	816.24	144.12	194.737
<i>Bills payable</i>	4002.7	7072.6	55.86	75.85	36.5	56.47	205.83	67.1	359.8	794.8	141.4	192.7
<i>Dues</i>	510.2	435.8	0.003	0.003	10.414	12.525	20.566	42.658	76.74	21.44	2.72	2.037
Capital Accounts	5361.6	8643.9	(19.15)	31.15	57.71	97.4	478.71	699.9	324.9	550.5	123.42	135.9
Total Liabilities	33221.8	52820	45.923	137.073	260.054	387.285	1799.906	1874.158	2075.67	3339.64	515.46	634.017
Dep/TTL	70	69.3	18.2	21.4	59.4	60	60.4	56.6	62.2	59	47.4	47.5
% INC	58.9		198.5		48.9		4.1		60.89		23.01	

	Total Industry		MINDANAO		MIND/TI (in per cent)	
Year	1995	1997	1995	1997	1995	1997
Deposits	23,250.9	36,615	2,786.49	3,584.1	12	10
<i>Demand</i>	322.5	535.9	66.02	87.902	20.5	16.4
<i>Savings</i>	12,331.3	19030.3	1,918.5	2,264.7	15.6	11.9
<i>Time</i>	10,597.1	17,048.8	831	1,231.44	7.8	7.2
Non-reserve deposit	96.4	52.2	35.1	7.64	36.4	14.6
Bills Payable +Dues	4512.9	7508.4	909.833	1265.583	20.2	16.8
<i>bills payable</i>	4,002.7	7,072.6	799.39	1,186.92	20	16.8
<i>dues</i>	510.2	435.8	110.443	78.663	2	18.05
Capital Accounts	5,361.6	8,643.9	965.59	1,514.85	18	17.5
TOTAL	33221.8	52820	4697.013	6372.173	?	12.06
Dep/TTL	70	69.3	50.7	56.2		
% INC	58.9		16		(4.44)	

	Total Industry		Per cent share to TOTAL		MINDANAO		Per cent share to TOTAL	
Year	1995	1997	1995	1997	1995	1997	1995	1997
Deposits	23,250.9	36,615	70%	69.3%	2,786.49	3,584.1	59.3%	56.2%
Non-reserve deposit	96.4	52.2	0.29%	0.098%	35.1	7.64	0.74%	0.12%
Bills Payable +Dues	4512.9	7508.4	13.6%	14.2%	909.833	1265.583	19.37%	19.86%
Capital Accounts	5,361.6	8,643.9	16.1%	16.4%	965.59	1,514.85	20.56%	23.77%
TOTAL	33221.8	52820	33221.8	52820	4697.013	6372.173	4697.013	6372.073
% INC	58.9				16			

	Total Industry		Times increase	MINDANAO		Times increase
Year	1995	1997	1997/1995	1995	1997	1997/1995
Deposits	23,250.9	36,615	1.57	2,786.49	3,584.1	1.29
Non-reserve deposit	96.4	52.2	0.54	35.1	7.64	0.22
Bills Payable +Dues	4512.9	7508.4	1.66	909.833	1265.583	1.39
Capital Accounts	5,361.6	8,643.9	1.61	965.59	1,514.85	1.57
TOTAL	33221.8	52820	1.59	4697.013	6372.173	1.36

	Montevista	Alabel	Tagum	Sarangani	Babak	Isulan	Tacurong	Davao Coop
Non-reserve deposit								
due to treasurer of the Phils.				2444.43				
due to PDIC								
due to LBP								
due to branches	685000.0							
due to UCPB	2750000.0							
due to other banks		5839161.33		2300000.0		5538683.83	3218480.0	21083235.91
due to SBGFC	253125							59890219.41
due to NLSF	4418548.5							
due to CDA								6420000.0
due to PBSP								34384108.35
due to PCIC								
Due to DA								37318354.88
due to DTI/SMEC								2499999.97
due to affiliates					465698.58			
Total bills payable	21679323.55	5909458.35	25212753.85	7168044.43			16714920.0	344632997.49

	Digos	Midsayap	Cuambog	Compostela	Sto. Tomas	Tupi	Panabo	Camiguin	Kiamba
Non-reserve deposit									
due to treasurer of the Phils.	13922.01							135646.16	
due to PDIC									
due to LBP									
due to branches								3000000.0	
due to UCPB									
due to other banks			1872757.63						
due to SBGFC							9610060.3		
due to NLSF									
PCFC									
due to CDA									
due to PBSP							612704670.0		
due to PCIC							13329.17		
Due to DA									
due to DTI/SMEC									
due to affiliates									
Total bills payable	8326406	2328312.35	3563566.23	1750000.0	4643485	12985445.9	30356670.0	ND	3512425.0

	Montevista	Alabel	Tagum	Sarangani	Babak	Isulan	Tacurong	Davao Coop
Non-reserve deposit								
due to treasurer of the Phils.								13922.01
due to PDIC								
due to LBP	119993.16							
due to branches	590625.0							
due to UCPB	1000000.0					500000		
due to other banks			8313281.65	300000.0		2640000.0	1000000.0	
due to SBGFC								
due to NLSF								
due to CDA								
due to PBSP								
due to PCIC								
Due to DA								
due to DTI/SMEC								
due to affiliates								
Total bills payable	18482262.61	1334900.0	23950887.65	8080734.14	1020525.31	30226267.5	14310650	7299056.31

	Digos	Midsayap	Cuambog	Compostela	Sto. Tomas	Tupi	Panabo	Camiguin	Kiamba
Non-reserve deposit									
due to treasurer of the Phils.									
due to PDIC									
due to LBP	19911836.03								
due to branches									
due to UCPB	2250000								
due to other banks									
due to SBGFC	15225427.04								
due to NLSF									
PCFC					400485.56				
due to CDA	36080180.72								
due to PBSP									
due to PCIC									
Due to DA	35516188.88								
due to DTI/SMEC	1166666.65								
due to affiliates									
Total bills payable	182893895.5	ND	1371984.04	5097345.0					1467100.0

STATUS OF FUNDING PROGRAMS

	No. of Fis already assisted	No. of FI sub-borrowers	Total amount already loaned	No. of employment generated
NLSF	30 (N) 9 (M)	8,419 (N) 845 (M)	P110.41 M (N) P35.09 M (M)	
TST/NGO-MCP	1,764 (N) 552 (M)	138,939 (M) 44,442 (N)	P1,581,032,758 (N) P349,203,560 (M)	232,206 (N) 56,176 (M)
POSE (PBSP)	18 (N) 6 (M)	892 (N) 191 (M)	P379 M (N) P72 M (N)	7,013 (N) 1,470 (M)
PCFC	92 (N) 33 (M)	93,348 (N) 14,276 (M)	P923,769 M (N) P141,070 M (M)	
UCPB-CIIF	254 (N) 69(M)	24,475 (N)	P392 M (N) P158 M (M)	
QUEDANCOR				
RCFI-LBP				

**ANNEXES:
DESCRIPTION OF THE
CREDIT PROGRAMS
FOR MICROENTERPRISES**

ProgramAsian Development Bank-International Fund for Agricultural Development Rural Microenterprise Finance Project (ADB-IFAD RMFP)

Implementing InstitutionPeople's Credit and Finance Corporation (PCFC)

A. Background

The People's Credit and Finance Corporation (PCFC) was established in February 9, 1995. It is wholly capitalized by the National Livelihood Support Fund, an entity supervised and controlled by the Land Bank of the Philippines. The ADB-IFAD RMFP is one of PCFC's lending programs to provide the poor access to credit to uplift their economic status.

B. Purpose

The ADB-IFAD RMFP is a program aimed at financing the investment and institutional credit requirements of NGOs, POs, and FIs implementing the Grameen Bank Approach (GBA) of providing loans to individuals for their livelihood projects.

The program has two credit facilities: i) Investment credit-to support the incremental credit requirements of GBA replicators for relending to individual self-help groups (SHGs) members for income and employment generation; ii) Institutional credit-to support a portion of the start-up costs of new GBA replicator branches and ongoing development costs of existing branches; training of branch managers and field and office staff; and the costs associated with the formation and institutional preparation of SHGs.

C. Eligible Partners

NGOs, Pos and FIs with capabilities in implementing GBA micro-finance program may apply. Each Replicator participating in the Project should satisfy the following criteria:

Institutional Criteria

- duly registered with any of the following: Securities and Exchange Commission (SEC), Cooperative Development Authority (CDA) or Bangko Sentral ng Pilipinas (BSP);
- with credible and competent Board of Directors;
- has an acceptable documentation system covering work plans monitoring systems;
- has acceptable accounting and control systems;
- has at least 2 permanent full-time staff with adequate training, and adequate office space for handling GBA replication program;
- has an operating experience of at least 2 years in social mobilization and value formation;
- conducts periodic staff meeting programs; and
- staff must have completed basic courses in credit/financial management, bookkeeping/accounting.

Financial Criteria

- has financial resources of at least P500,000 and minimum net worth of at least P250,000;
- a current ratio of at least 1:1;
- has a satisfactory external audit report for the previous financial year;
- must not be in default with PCFC or any other formal or informal financial institution

D. Priority Projects

Types of projects to be funded by the program partners shall depend upon the needs and capabilities of the clients. However, the following guidelines must be followed in determining the type of project of the clients:

- viable and has a ready market for the product or service
- able to generate income for the clients within a short period of time
- within the capability of clients to manage
- must be able to generate capital build-up funds for the clients
- must comply with all government rules and regulations

E. Target Beneficiaries

The loan from PCFC is to be used solely as relending fund to targeted clients composed of rural poor women belonging to the poverty sector as defined by the National Economic Development Authority (NEDA) and as identified by the government's Social Reform Agenda.

F. Terms & Conditions to Partners

Loan Size

The investment loan to any one branch of a Replicator shall be in the amount not exceeding P2.5 M per year or P7 M over the course of the project.

The institutional loan to any one branch of a Replicator shall be in the amount not exceeding P700,000 over the course of the project.

Loan Duration

For both the institutional loan and the investment loan, the amortization schedule shall not exceed beyond 7 years, including a grace period on the principal not exceeding three years, from the date when such loan is disbursed.

Interest Rates

The onlending rates will be reviewed annually by PCFC after consultation with the Government, LBP, ADB and IFAD, adjusted if appropriate.

As of November 1998, the rate are as follows: Investment credit- 12% p.a. + 1% service fee for loan; Institutional credit- 3% p.a.

Collateral

Assignment of sub-borrower's promissory notes and issuance of post dated checks after the release of funds

G. Application Requirements

- Board Resolution or authority to borrow and designation of officers to negotiate
- Information on the organization including plans and programs
- Certificate of Registration, Articles of Incorporation and By-laws
- Information sheet on the members of the Board of Directors and Principal officers
- Annual Reports for the past three years if applicable, including audited financial statements for the last three years

H. Status of the Program (as of September 30, 1998)

	Nationwide	Mindanao-wide
No. of IFIs already assisted	34	5
No. of RBs/CRBs assisted	18	5
No. of IFI sub-borrowers	12,413	1,787
No. of RB/CRB's sub-borrowers	9,701	1,787
Estimated number of beneficiaries (in terms of employment generated)	42,543	7,449
Total Amount Already Loaned to IFIs	P63.86 M	P7.17 M
Total Amount Already Loaned to RBs/CRBs	P7.17 M	P7.17 M

I. Contact Person

MR. JOSE C. MEDINA, JR.

The President

People's Credit & Finance Corporation

4/F Hanston Bldg., Emerald Ave., Ortigas Center

Pasig City, Philippines

Telephone Numbers (632) 633-1389 ; 633-1379; 633-3467

Fax No.: (632) 633-3439
E-mail: pcf@skyinet.net

file name: ADB-IFAD RMEP

Implementing Institution **People's Credit and Finance Corporation (PCFC)**

The People's Credit and Finance Corporation (PCFC) was established on February 9, 1995. It is wholly capitalized by the National Livelihood Support Fund, an entity supervised and controlled by the Land Bank of the Philippines. The HIRAM Lending Program is one of PCFC's lending windows to provide the poor access to credit.

PCFC is mandated to provide the poor access to credit to improve their economic status through livelihood projects that can augment their income. Two credit facilities under HIRAM are: i) investment credit, re-lending to target clientele, and, ii) institutional credit, funds used for the organization's start-up or expansion cost, particularly administrative and logistic expenses.

Non-government organizations (NGOs), people's organizations (POs) and Financial Institutions (FIs), either with a track record of lending operations or with relevant capabilities in implementing micro-credit programs for the poor.

For an FI to qualify for accreditation, it must initially pass the following criteria:

1. At least 10% Capital to Risk Asset Ratio
2. Past due rate of not more than 15% at the time of application for commercial loans and 20% for RFIs
3. No legal reserve deficiencies for 1 year immediately preceding application
4. No major exceptions per most recent BSP audit
5. No loans in arrears with any public or private lending institutions
6. Presence in the organizational set-up of a specialized lending group or its equivalent and a training group / program on community organizing
7. Have at least 500 existing clients

Types of projects to be funded by the program partners shall depend upon the needs and capabilities of the clients. However, the following guidelines must be followed in determining the type of project of the clients:

- Viable, with a ready market for the product or service

- Able to generate income for the client within a short period of time
- Able to generate savings for client
- Small size, manageable by the household members

Furthermore, these projects should be off-farm, and not involve direct agricultural activities such as farming or fishing, but may be an agribusiness, such as sale of fertilizers and other farm implements. Projects available to financing may include the following:

- Trading/vending, e.g. sari-sari stores, vegetables, fish, etc.
- Food processing, e.g. tocino, longganisa, snacks, etc.
- Handicrafts, e.g. mat-weaving, basket making, accessories making, etc.
- Services, e.g. parlors, tailoring/dressmaking, shoe repair, watch repairs, etc.
- Backyard hog and poultry raising (may be financed on a small scale but should be supplemented by a business activity which yields a daily income such as vending)

E. Target Beneficiaries

Target beneficiaries are poor people, as defined by the National Economic Development Authority (NEDA) and identified by the government's Social Reform Agenda (SRA). They include, but are not limited to, the following:

- Farmers, fishermen and their dependents
- Landless farm workers
- Sharecroppers
- Pastoral nomads
- Rural artisans
- Unemployed men and women
- Inhabitants of forested areas
- Youth not attending school
- Calamity victims

PCFC conduits commonly use two indicators in determining the socio-economic status of the clients: house index or means test and income level. The house index/means test reviews the assets of the borrower and the household. For income level test, a borrower's household income, for a family of six, should not be higher than P7,000 and P9,000 per month for rural and urban areas, respectively.

PCFC primarily serves fifth and sixth class municipalities or areas where the poverty incidence is high. PCFC recommends area focus to ensure the strict targeting of borrowers and minimize loan administration cost.

F. Loan Terms and Conditions to Partners

Loan Size:

For institutional credit, loan size should not be more than 20% of investment credit.

For investment loan fund, loan size depends on the allowance for the expansion of risk-asset ratio. It also depends on the technical capacity of the FI.

Loan Term:

Tenor of investment loan is 1 year, while FIs can avail of institutional loan for a term of 5 years.

Interest rate:

12% p.a. + 1% service charge

Collateral:

Assets acquired and others

G. Application Requirements

1. Information on the organization, including plans and programs
2. Certificate of registration, articles of incorporation, and by-laws
3. Board resolution to borrow
4. Information sheet on the members of the board of directors and principal officers
5. Annual Report for the past (3) three years
6. Audited Financial Statements for the last (3) three years

H. Status of the Program (as of August 31, 1998)

	Nationwide	Mindanao-wide
Number of IFIs (rural banks, cooperative development banks, etc.) assisted	92	33
Amount already released	PhP923 M	PhP141 M
Number of IFI sub-borrowers	93,348	14,276

I. Contact Person

MR. JOSE C. MEDINA, JR.
The President

People's Credit & Finance Corporation
4/F Hanston Bldg., Emerald Ave., Ortigas Center
Pasig City, Philippines
Telephone Numbers (632) 633-1389 ; 633-1379; 633-3467
Fax No.: (632) 633-3439
E-mail: pcfc@skyinet.net

file name:HIRAM-PCFC

**PROGRAM: TULONG SA TAO/NON-GOVERNMENT ORGANIZATION
MICRO CREDIT PROGRAM (TST/NGO-MCP)**

**Implementing Institution: Department of Trade and Industry (DTI) through the Bureau of
Small and Medium Business Development (BSMBD)**

A. Background

The Tulong Sa Tao (TST) was established in 1987 through an executive order, in response to the lack of financial support for non-agricultural microenterprises, and the huge credit demand of the non-farm, non-agricultural sub-sector in the rural areas. It is presently implemented by the Department of Trade & Industry through the Bureau of Small and Medium Business Development (BSMBD).

The government initially committed PhP100 M, of which PhP45 M was released to operate the program through the Self-Employment Livelihood Assistance (SELA) component. The Asian Development Bank (ADB), subsequently provided funding (US \$8M), under the NGO-Microcredit Project I (NGO-MCP I) and a follow-up loan of US\$30 M under the NGO-MCP II.

B. Purpose

To increase employment and income opportunities of low income groups by strengthening self-help groups, and by encouraging savings mobilization. Additionally, the program strives to strengthen NGOs to serve as conduits for servicing credit needs of low income groups.

The program provides the following services:

- Strengthens NGOs through institutional assessment and development; providing skills training in certain areas such as project design and supervision, financial management, project accounting; providing assistance in the procurement of goods and services related to institutional strengthening
- Helps identify profitable microenterprises, and provides training in project management and development of related technical and entrepreneurial skills
- Establishes linkages between microentrepreneurs and the banking sector

C. Eligible Partners

DTI shall select and accredit NGOs as financial conduits of the program. NGOs are defined as non-stock, non-profit corporations, credit unions, cooperatives including cooperative rural banks, foundations, associations and civic groups organized purposely to enhance the development of a community through socio-economic development projects like community organization and lending to income generating projects. Criteria for eligibility include:

1. Registered with the Securities and Exchange Commission (SEC) or the Cooperative Development Authority (CDA) or the Bangko Sentral ng Pilipinas (BSP) or any other appropriate agency which registers organizations for purposes of legal personality.
2. Operating experience of at least three (3) years in areas of social mobilization and value formation. However, this may be waived if NGO's experience is deemed sufficient.
3. Carried continuous successful onlending operations for at least one (1) year.
4. Management board consisting of members of high standing in the local community
5. Have periodic staff-training programs.
6. Have permanent office space.
7. At least 1 permanent staff handling the lending program.
8. Annual externally audited financial statements. If the NGO is engaged in a project with several components, requirement of an annual audited financial statement shall be on a per component basis
9. A minimum financial net worth of P100,000; however the Fund Management Committee may recommend a waiver for any NGO with a net worth below P100,000 provided that borrowing by such NGO shall be limited to a total loan amount of not more than three (3) times the NGO's net worth
10. A net worth to risk asset ratio of not less than 1:5
11. A current ratio of at least 1:1
12. A collection rate of over 80 per cent
13. Record of cost per job created of generally not more than P15,000

D. Priority Projects

Projects funded by the program shall be to qualified NGOs with re-lending programs to income generating projects. These may be in the areas of manufacturing, agro-processing, trade, transport or services.

The following criteria determine the type of project of the end beneficiaries:

- Must be viable on the basis of the technical, financial, managerial and marketing considerations
- Must provide a return on investment or financial internal rate of return exceeding the cost of capital
- Must provide a cover for debt service equal to a minimum of 1.2 times the required amortization after meeting obligatory cash outflows
- Must be labor intensive utilizing local raw materials with provisions for marketing finished products

Loans can be used for working capital and capital investment such as fixed asset i.e. small machinery, equipment, etc., excluding land.

E. Target Beneficiaries

Individual and self-help groups are the qualified beneficiaries of the accredited NGOs. To qualify, applicants must meet the following selection criteria:

1. First time borrower belonging to a low-income group or enhanced labor- intensive employment
2. Had no access to credit from the formal banking system.
3. Resident of a municipality where the sub-project is to be undertaken or a member of an economic activity group in this municipality
4. Must submit a sub-project proposal in the agri-processing, manufacturing, trade, transport, or service sectors.

F. Loan Terms and Conditions

Terms and Conditions	IFI	End-Beneficiaries
Loan size	P50,000 to P2,000,000	<u>Individual</u> : P25,000 <u>Self-Help Groups</u> : P200,000
Repayment schedule	5 years, inclusive of grace period not exceeding 2 years for principal	<u>Individual</u> : 3 years fixed <u>Self-Help Groups</u> : 5 years fixed
Interest rate	12% per annum fixed during the term of each loan	Not exceeding the commercial bank rate prevailing in the area.
Equity	15% of total project cost through the provision of money, goods, and/or services	10% of the cost of each sub-project through the provision of money, goods, and/or services
Collateral	Equity of at least 15% of total project cost	Equity of at least 10% of total project cost

The NGO may avail of a second loan when it has disbursed at least 75% of its immediately preceding loan. It shall deduct from each beneficiary a capital build-up fee of a minimum of 2% that shall be returned after the beneficiary's subsidiary loan has been fully paid to encourage savings mobilization.

The NGO must start disbursing the funds availed within the first 2 months from receipt thereof and as much as possible fully disbursed to end beneficiaries immediately. Any funds not disbursed after 6 months from date of receipt will be declared due and demandable. In the case of diversion of funds for purposes other than those approved, DTI may declare the loan due and demandable.

G. Application Requirements

- DTI Application Form
- Registration and incorporation papers
- Most recent audited financial statements
- Organizational chart
- Financial and lending records

NGOs that operates in more than one (1) province using the program fund should apply for accreditation in the province where their Head Office is located. This accreditation will hold true for each and every province where the NGO wish to implement program funded projects. However, evaluation of loan application will be done in each province where the project will be implemented.

NGOs may endorse their local chapters, affiliates and member's application for accreditation and loan in the provinces where such are located. Approval of the application will be subject to the result of the evaluation done at the provincial and regional levels.

H. Status of the Program (as of July 31, 1998)

	Nationwide	Mindanao-wide
Number of NGOs assisted	1,764	552
Amount already released	PhP1.581 B	PhP349 M
Number of NGO sub-borrowers	138,939	44,442
Estimated Number of Employment Generated	232,206	56,176

I. Contact Person

MR. MEYNARDO ORBETA

Director

Bureau of Small & Medium Business Development

Department of Trade & Industry

361 Gil Puyat Avenue
Makati City
Fax No. (02) 890-5433

file name: TST-SELA-DTI

Program: **NATIONAL LIVELIHOOD SUPPORT FUND**

Implementing Institution: **Land Bank of the Philippines**

A. Background

The National Livelihood Support Fund (NLSF) is an entity created by law with a social development mandate operating under the supervision and administration of the Land Bank of the Philippines. NLSF seeks to improve the quality of life of small farmers, fishermen, and their dependents in Agrarian Reform Communities (ARCs) through institution-building and strengthening, and credit for livelihood projects.

B. Purpose

NLSF wholesales loans to non-government organizations (NGOs), peoples' organizations (POs), and participating financial institutions (PFIs) to fund individual livelihood/income augmentation projects of members of self-help groups and / or individuals belonging to the marginalized sectors in Agrarian Reform Communities (ARCs).

C. Services

- Provision of credit funds for re-lending and soft loans for program partners' operations and training of end-beneficiaries
- Provision of non-credit services in the form of institution/capability building of program partners/conduits and such other services as may be identified as vital in the implementation of the NLSF lending program.

D. Eligible Partners

Duly organized NGOs, POs, and PFIs, are collectively called "Program Partners". To be considered a Program Partner, the organization must initially pass the following criteria:

1. Duly registered with the Securities and Exchange Commission, Cooperative Development Authority, or Department of Trade and Industry
2. Satisfactory credit record
3. Record of at least three (3) years of satisfactory/profitable operations in livelihood lending (In the case of newly formed organizations with less than three (3) years track record, the NGO/PO must have successfully undertaken community projects and the members of management must have adequate experience in livelihood development and lending)

4. Sufficient manpower for the program capable of handling financial and lending transactions
5. Employ a bookkeeper/accountant and cashier/treasurer
6. Have an established internal control and documentation system
7. Have at least ten percent (10%) of capital to risk asset ratio
8. Have a past-due ratio in its loan portfolio, not exceeding the following percentages at the time of the application:

Commercial Banks	15%
Rural Financial Institutions	25%
NGOs/POs	25%
9. Have no legal reserve deficiencies for the last four (4) weeks at the time of application
10. Be of good standing/with no major exemptions per Bangko Sentral ng Pilipinas (BSP) audit (for banks only)

E. Priority Projects

The types of projects depend upon the needs and capabilities of the target beneficiaries. However, the following guidelines must be followed in determining the type of project of the end beneficiaries:

- Viable, with a ready market for the products or services
- Able to generate income for target beneficiaries within a short period of time
- Manageable
- In accordance with or consistent to the over-all development plan of the area.

F. Target Beneficiaries

- Wives and dependents of farmers in ARCs
- Non -farmers households in ARCs
- Other sectors in non-ARCs covered under special tie-up

G. Loan Terms and Conditions

1. Types of Accommodation

- One Year Revolving Credit Line (for short term re-lending): The amount depends on the credit requirements of the proposed livelihood program and on the lending and financial capability of the Program Partner but not to exceed its total asset base.
- Soft Loan (For program operations and training of end-beneficiaries): The amount depends on the needs of the Program Partner as assessed by NLSF.

2. Financial Charges

- Revolving Credit Line 12% p.a.
- Soft Loan 3% p.a.

3. Penalty

- Up to 12% per annum with 30 - day grace period.

2. Collaterals

- Include object of financing, assignment of sub-borrowers' promissory notes, and all underlying collaterals

H. Application Requirements

1. Completed NLSF application form
2. Registration and incorporation papers
3. Personal data sheet of board of directors and principal officers and 2" x 2" pictures with signatures
4. Board resolution to borrow
5. Audited financial statements for the past three (3) years, if applicable, and latest interim financial statements

I. Status of the Program (as of September 25, 1998)

	Nationwide	Mindanao-wide
Number of Program Partners assisted	30	9
Amount already released	PhP110.41 M	P35.09M
Number of NGO sub-borrowers	8,419	845

J. Contact Office

MR. JOSE D. ESCARTIN

Executive Director

National Livelihood Support Fund

Account Management and Livelihood Development Group

4F Hanston Bldg., Emerald Avenue

Ortigas Center, Pasig City, Philippines

Tel. Nos. 631-29-44 * Telefax No. 631-29-47

file name: NLSF

Program: **REDISCOUNTING PROGRAM FOR COUNTRYSIDE FINANCIAL INSTITUTIONS**

Implementing/Lending Institution: **Land Bank of the Philippines**

A. Background

Land Bank is a government-owned universal bank, established by law in with a special mandate to provide the financial requirements of the agrarian reform program of the Philippine government. It implements many directed credit programs (DCPs) and is one of the biggest implementors of DCPs.

B. Purpose

The rediscounting program is a relending facility, through countryside financial institutions (CFIs) including rural banks, cooperative rural banks, development banks and savings and loan associations. It is intended to provide financial assistance to small farmers, fishermen, producers, cooperatives, associations, overseas contract workers, landowners, rural entrepreneurs and other borrowers CFIs.

C. Eligibility Requirements

- Risk Asset Ratio (RAR) of not less than 10%
- Past Due Ratio (PDR) of not more than 50%
- Nominal profits for the past three (3) years and the current interim period
- Must have met the minimum capital required by BSP
- Adequate reserves for the four (4) weeks period preceding application (based on submitted FS)
- Have no serious irregularities /exceptions on BSP audits such as capital deficiency, DOSRI violation, malversation, frauds, legal reserve deficiencies and arrearages with the BSP or any other financial institutions.

D. Priority Projects

- Crop production
- Poultry
- Livestock and aquiculture production
- Other livelihood projects undertaken by rural entrepreneurs/employee-borrower
- Deployment/placement fees of OCWs
- All projects eligible under the Small-Agri rediscounting and ALF/CLF programs
- Other livelihood projects undertaken by OCWs and /or their dependents that OWWA may deem eligible for funding under the program

E. Target Beneficiaries

- Agrarian reform farmers
- Farmer cooperatives
- Small-scale farmers/producers/fishermen
- Farmers owning more than five (5) hectares
- Entrepreneurs engaged in livelihood activities in the countryside
- OCWs covered by a valid accredited and certified by POEA to work abroad
- OCWs (and /or dependents) duly certified by OWWA
- Small- and medium-enterprises with an asset base of not more than P60 million

F. Loan Terms and Conditions

In general, the rediscountable limit is up to 85% of the face value of the promissory notes, but not to exceed LBPs loan ceiling. The line shall be secured by an assignment by the CFI in favor of LBP of all its rights, title to and interests in the sub-loans or PNs of the sub-borrowers inclusive of any and all kinds of collateral (REM, CHM, pledges, guarantees, surety ships, assignments, hold-outs, quedan trust receipts) and other supporting documents attached to it. If a clean line is proposed, a sub-limit shall be indicated. Credit terms are as follows:

1. One (1) year to a maximum of eighteen (18) months
2. For non-agri, Interest rate is prime rate + 1
3. For OCWs covering livelihood projects, 91-day T-bills rate + 3
4. Penalty prevailing LBP rate from date past due until fully paid

G. Application Requirements

- Accomplished application forms for accreditation and rediscounting
- Corporate papers
- Board Resolution to borrow
- List of officers and directors
- Audited financial statements for the last three years
- Generally accepted management practices

H. Status of the Program (as of August 31, 1998)

	Nationwide	Mindanao-wide

Number of IFIs (rural banks, cooperative development banks) assisted	375	82
Amount already released	PhP4.4B	PhP738 M
Number of IFI sub-borrowers	81,205	15,374

I. Contact Person

MA. TERESITA S. GARCIA

Vice President

Land Bank of the Philippines

Countryside Financial Institution Department

319 Sen. Gil Puyat Avenue, Makati City

Telefax no.: (2) 814-0184

file name: rdl-cfi

Program **FOOD AND AGRICULTURAL RETAIL ENTERPRISES (FARE)**

Implementing/Lending Institution **Department of Agriculture through Quedan and Rural Credit Guarantee Corporation (QUENDANCOR)**

A. Background

The Food and Agricultural Retail Enterprises (FARE) program serves as a source of credit at a reasonable cost to retailers in public and private market areas. Its goal is to provide an alternative to informal money lenders, and help reduce the prices of commodities in the market.

QUENDANCOR is a government non-bank financing institution established by law in the 1980's. It implements several credit programs.

B. Purpose

The program aims to develop a vibrant market for farmers' produce, by stabilizing retail prices of basic commodities by facilitating the flow of institutional credit to market retailers. The program also encourages the banking sector to actively service in credit needs.

The program is implemented through the Guaranteed Co-Financing Mode (GCFM), a mode of lending to service the credit requirements of retailers wherein Quedancor provides guarantee cover on the lending bank's (LB) exposure on the loan fund which is equally shared by LB and Quedancor on a 50-50 basis.

The FARE program is being directly administered by the Quedan Operations Officer (QOO), an employee of Quedancor, whose responsibilities include promoting the program, conducting background check on the applicants, forwarding of applications to the District Supervisor, among others.

C. Eligible Partners

Universal, commercial, private development banks, rural banks, and other types of banks. To be accredited by QUENDANCOR, a bank must meet the following criteria:

1. Duly registered with the Securities and Exchange Commission, Cooperative Development Authority, Bangko Sentral ng Pilipinas (BSP)
2. Satisfactory credit records
3. In good standing and have no major exceptions per BSP audit

D. Priority Projects

The program covers raw, semi-processed, or fully processed agricultural, aquatic, poultry, livestock, and other agriculture-related commodities sold on retail, such as rice, corn, vegetables, fish, fruits, chicken, meat, fertilizers, pesticides, feeds, etc.

E. Target Beneficiaries

Retailers in public and private market areas, as defined in a location map and deemed operationally viable through a market survey.

F. Loan Terms and Conditions to Retailers

- Loan amount between P20,000 to P50,000
- Loans up to P50,000 payable within a minimum of 180 days in fixed 26 weekly installments (loans from P75,000 up to P500,000 may be allowed a maximum loan term of 360 days and shall be paid in fixed 52 weekly or 12 monthly installments)
- An interest rate of 14%-16% per annum, depending on the mode of payment
- Collateral requirements depend on the amount of loan and may be any of the following guarantees:
 - promissory note with trust receipt and two co-signers
 - QUENDANCOR stock of equivalent of loan value
 - Certificate of bank deposits/placements
 - Real estate mortgage and /or Chattel mortgage
- A 10% non-refundable service fee is charged to every borrower
- A penalty of 2.5% per month is charged on the unpaid principal upon the demand for payment or maturity date, whichever comes first
- Surcharges of 0.1% per day are collected on the unpaid principal upon the demand for payment

G. Application Requirements for Loan Applicants

1. Bonafide stall holder in a public market as evidenced by a stall award or any substitute document
2. Duly accredited by QUENDANCOR
3. Hold a current mayor's permit or municipal license
4. Duly licensed retailer with NFA, if engaged in grains retailing
5. Must have an SA with LB
6. Project proposal for loans amounting to P100,000 and above

H. Status of the Program (as of June 1998)

	Nationwide	Mindanao-wide
Number of IFIs (rural banks, cooperative development banks)	63	24
Amount already released	PhP2.1B	P284 M
Number of IFI sub-borrowers	35,608	data not available

I. Contact Person

MR. GALO B. GARCHITORENA

President

QUENDANCOR

QUENDANCOR Center

24 Panay Avenue, Quezon City

Fax No.: (02) 742-7002

E-mail : quedan@skyinet.net

file name: quedancor

Program	RFIs Microenterprise Credit Programs Enterprise Development and Credit Programs
Implementing Institution	United Coconut Planters Bank (UCPB)-Coconut Industry Investment Fund (CIIF) Foundation & Coconut Industry Investment Fund (CIIF) Finance Corporation

A. Background

UCPB-CIIF Foundation was established in 1987 as a non-profit and non-stock subsidiary of the United Coconut Planters Bank (UCPB) to address the socio-economic needs of the communities where UCPB conducts its business operations. It has a program to assist improving the quality of life of coconut farmers and enhancing the development of the coconut industry as a whole by the formation of cooperatives.

UCPB-CIIF Foundation handles the aspects of values formation, and managerial and technical skills training for coconut farmers, as well as the development of market linkages for coconut farmer cooperatives. CIIF Finance Corporation, on the other hand, extends concessional credit assistance for accredited cooperative's livelihood activities.

B. Purpose

To provide funds to rural financial institutions (RFIs) for small, qualified coconut farmer projects

C. Eligible Partners

Eligible partners include cooperative banks, rural banks, development banks whose service areas are predominantly coconut producing and/or growing areas. They must meet the following criteria:

- Capital to risk asset ratio of at least 10%
- Past due ratio of not higher than 25%
- Profitable operations for the last three years
- Paid-up capital that meets BSP requirements
- Willing to serve the legitimate credit needs of CIIF's target clientele, coconut farmers
- No outstanding past due dealings
- Meet the reserve requirements of BSP
- No adverse CIBI findings or information

D. Priority Projects

Any viable income-generating projects in areas which are predominantly coconut producing and/or growing areas using coconut or its derivatives as raw materials.

E. Target Beneficiaries

- Coconut farmers engaged in any income generating or enhancement project (on or of-farm)
- Coconut traders

- Entrepreneurs engaged in any activity using coconut or its derivatives as raw materials

F. Loan Terms and Conditions to RFI

- minimum amount of credit line of P500,000 and a maximum up to the extent allowable expansion of risk assets of RFIs but not to exceed the single borrower's limit of the CIIF Finance Corporation, whichever is lower
- One year credit line via 90, 180, 360 day promissory notes
- Available in two equal tranches: i) upon completion and submission of all documentary requirements, and ii) upon submission of a liquidation report of the first tranche which must be submitted within 90 calendar days from the drawdown date
- Interest rate of 14% p.a. when liquidated within the prescribed period or UCPB's pool rate computed from drawdown rate and payable upon maturity
- Line can either be clean, guaranteed or secured

G. Application Requirements

For pre-qualified RFIs, the following criteria are required:

1. Board resolution authorizing participation and designating the officers authorized to sign all pertinent documents
2. Specimen signatures of authorized signatories and properly authenticated by the corporate secretary
3. Authority for UCPB-CIIF Foundation and CIIF Finance Corporation to secure data and information about the RFI from BSP, DBP and other similar agencies and institutions

For other RFIs, the following criteria are required:

1. Board resolution authorizing participation and designating the officers authorized to sign all pertinent documents
2. Specimen signatures of authorized signatories and properly authenticated by the corporate secretary
3. Certified list of top ten shareholders as of latest date indicating each one share in the RFI's paid-up capital
4. Certified list of board of directors and key officers together with bio-data
5. Audited FS for last three years
6. Latest BSP audit and examination report

H. Status of the Program (as of August 31, 1998)

	Nationwide	Mindanao-wide
Number of RFIs assisted	254	69
Amount already released	P230 M	P153 M
Number of RFI sub-borrowers	24,475	no available data

I. Contact Person

MR. RENO P. VELASCO

President

UCPB-CIIF Foundation

10/F Antel Corporate Center

Salcedo Village, Makati City

Phone nos. (2) 840-3266/67/68

Fax No. (2) 840-3268

Program: **PROMOTION OF SMALL ENTERPRISES (POSE)**

Lending/Implementing Institution: **Philippine Business for Social Progress under the Small Medium Enterprise Credit (SMEC) program**

A. Background

Philippine Business for Social Progress is a private, non-profit foundation established in 1970 by 50 national corporations as an expression of corporate social responsibility. Its programs aim to help the Filipino poor, including landless rural workers, sustenance fishermen, marginal upland farmers, urban poor, and indigenous cultural communities.

SMEC is a program of PBSP which seeks to increase the available credit to the small and medium business enterprise outside the National Capital Region (NCR). The POSE program is funded by Kreditanstalt Fur Wiederaufbau (KFW) of the Federal Republic of Germany. It is managed by PBSP under the SMEC program, in cooperation with the Land Bank of the Philippines. POSE has an operating fund of 14.75 million deutschmark.

B. Purpose

POSE wholesales loans to intermediary financial institutions (IFIs), so that they can increase their loan portfolio to small enterprises in the countryside, and take an active role in rural economic development. IFIs retail these funds to eligible KFW sub-borrowers.

C. Eligible IFI Partners

Countryside IFIs, particularly rural banks and cooperative development banks outside the national capital region. The criteria to qualify are as follows:

1. Duly registered with the Securities and Exchange Commission, Cooperative Development Authority or the Bangko Sentral ng Pilipinas.
2. 10 % capital-to risk asset ratio.
3. Past due rate of its loan portfolio at the time of the application does not exceed 25%.
4. No major audit findings from BSP for the past three years.
5. Must reflect a positive income for the last three years.
6. Must meet the minimum capitalization per BSP.
7. Must be at least 3 years in existence with good track record.

D. Priority Projects

The project will help finance any legal, productive or commercial activity or off-farm private enterprises which are engaged in manufacturing or agribusiness, such as but not limited to:

- Light industrial manufacturing
- Light handicrafts
- Woodworking
- Metal working
- Services with social impact
- Agri-processing or manufacturing
- Non-traditional pioneering agriculture production

Excluded are activities that are adverse to the interest of women, entail pollution, contribute to the depletion of tropical forests, and ignore the protection of working children.

Loans must either be for starting a new business or expanding an existing business. It may be used for working capital, to acquire fixed assets such as land, buildings, and machines, or for related services such as equipment installation.

E. Target Beneficiaries

- Filipino or permanent legal resident of the Philippines
- A corporation, partnership or business organizations which is more than 50% owned by Philippine nationals
- Businesses with total assets of not more than P15M

F. Loan Terms and Conditions

The maximum loan amount is P30M, but depends on the project cost. The weighted average interest rate will be 91-day T-bill rate or 9.6%, whichever is higher depending on the term:

Rate:

- a. 1 to 3years - WAIR + 2%
- b. 3 to 5 years - WAIR + 2.5%
- c. Variable or fixed with one time option to switch from variable to fixed and vice-versa for IFIs with loans exceeding one year
- d. Pre-termination rate of 3% per annum on outstanding balance

Term:

Maximum of 5 years or average life of the sub-loan of each IFI whichever is shorter

Collateral:

Automatic assignment of sub-borrowers collateral

For IFIs to SMEs, the borrowers' maximum sub-loan amount is P5M at prevailing market rate. Collateral is automatically assigned from sub-borrowers' underlying collaterals.

G. Application Requirements for IFIs

1. Letter of Intent
2. Accomplished application
3. Certificate of registration and articles of incorporation and by laws
4. Board resolution to borrow
5. Annual report for last three (3) years
6. Audited FS for last three (3) years
7. List of officers and directors

H. Status of the Program (as of August 30, 1998)

	Nationwide	Mindanao-wide
Number of IFIs (rural banks, cooperative development banks) assisted	18	6
Amount already released	PhP 379,000,000	PhP72,391,365
Number of IFI sub-borrowers	892	191
Estimated Number of Employment Generated	7,013	1,470

I. Contact Office

MS. PATTY CALILONG

The Program Director
Small & Medium Enterprise Credit
Philippine Business for Social Progress (PBSP)
1/F Philippine Social Development Center
Magallanes cor. Real Sts.
Intramuros, Manila
Tel Nos. 527-7741 to 45
Fax No. 527-3743 and 527-3751

file name: POSE by SMEC